

with Verizon may be subject to reasonable and nondiscriminatory termination liabilities to the extent they were part of the original terms of the CSA agreed to by the customer, the Commission has held that this is not “unreasonable or discriminatory.” New York Order ¶ 390; see Lacouture/Ruesterholz Decl. ¶ 300.

#### **L. Operations Support Systems.**

Verizon provides CLECs with access to various checklist items through substantially the same Operations Support Systems (“OSS”) and interfaces that it uses in New York, see McLean/Wierzbicki Decl. ¶ 8, and which the Commission concluded satisfy the requirements of the Act, see New York Order ¶ 82.

As noted above, the OSS used in Massachusetts and New York are in most instances carbon copies of one another — that is, while they are physically separate systems, they are functionally identical. See McLean/Wierzbicki Decl. ¶ 8.<sup>45</sup> In addition, Verizon provides the same pre-ordering, ordering, and maintenance and repair interfaces to access the underlying OSS in both States. See id. ¶¶ 8, 18, 39, 82. Likewise Verizon provisions orders in the same manner in Massachusetts and New York and most of Verizon’s billing systems are also the same (with the exception of message and payment processing). See id. ¶ 8. Verizon also provides competing carriers with the same degree of technical support to help them use Verizon’s OSS interfaces as is available in New York. See id. ¶ 113.

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<sup>45</sup> See, e.g., First Louisiana Order ¶ 21 (using findings of South Carolina Order, see Application of BellSouth Corporation, et al. Pursuant to Section 271 of the Communications Act of 1934, as amended, To Provide In-Region, InterLATA Services In South Carolina, Memorandum Opinion and Order, 13 FCC Rcd 539 (1997), as starting point for examining same OSS in Louisiana); Second Louisiana Order ¶ 88 (same); id. ¶ 56 (where BOC “provides access to a particular checklist item through a region-wide process, such as its OSS, [the Commission] will consider both region-wide and state specific evidence in [its] evaluation of that checklist item”); id. ¶ 86 (commercial usage of OSS in other BellSouth States is probative of checklist compliance).

In addition, while Verizon continues to offer the same versions of the application-to-application pre-ordering and ordering interfaces as it did in New York when its application for that State was approved, it now offers CLECs the option of using updated versions of those interfaces that are based on the most recent set of industry standards. See id. ¶¶ 22, 41. Among other things, these updated versions use uniform fields and formats that make it even easier for CLECs to integrate their pre-ordering and ordering systems. See New York Order ¶ 139 & n.417 (noting that implementation of LSOG 4 would “minimize inconsistencies in fields and formats and simplify the use of pre-ordering and ordering interfaces”).

As in New York, Verizon’s OSS in Massachusetts are in place, fully operational, and handling large commercial volumes. See, e.g., id. ¶¶ 150, 164. For example, Verizon’s ordering systems already processed nearly 300,000 transactions in Massachusetts in just the first seven months of 2000, or more than 1,300 transmissions per day on average, and its pre-ordering systems (which handle New York and New England) processed more than 2.7 million transactions. See McLean/Wierzbicki Decl. ¶¶ 34, 45. And, of course, Verizon’s systems passed the third-party test conducted by KPMG, satisfying 800 of the 804 separate items evaluated and providing still further “persuasive evidence of [Verizon’s] OSS readiness.” New York Order ¶ 100.

#### **1. Pre-Ordering.**

As it does in New York, Verizon provides three electronic pre-ordering interfaces in Massachusetts. The first is a Web-based Graphical User Interface (“Web-GUI”) that can be used with a personal computer. The second is an application-to-application interface based on the industry standard Electronic Data Interchange (“EDI”) protocol. Verizon actually offers CLECs two versions of the EDI interface: one is the same version (EDI-9 with LSOG 3) that was in place when the New York application was approved; the other (EDI-10 with LSOG 4) is an

updated version based on the newest industry standards. See McLean/Wierzbicki Decl. ¶ 22.<sup>46</sup>

The third is another application-to-application interface known as Common Object Request Broker Architecture (“CORBA”). See id. ¶ 21; see also New York Order ¶ 131. At present, there are seven CLECs using the EDI interfaces, two CLECs using the CORBA interface, and over 75 carriers using the Web-GUI for pre-ordering. See McLean/Wierzbicki Decl. ¶ 21.

Verizon’s pre-ordering interfaces already handle large commercial volumes. For example, during the first seven months of this year, Verizon processed more than 2.7 million pre-ordering transactions through the existing interfaces that handle New York and New England. See id. ¶ 34. To put this number in perspective, it is double the number that Verizon’s pre-ordering systems were handling at the time of its New York application, and is more than the number that were handled in New York and New England during all of 1999. See id.; see also New York Order ¶ 150.

Even at these large and increasing volumes, the performance of Verizon’s pre-ordering systems is excellent. For example, from May through July 2000, the application-to-application interfaces were available to CLECs more than 99 percent of the time they were scheduled to be available, as was the Web-GUI in July after some earlier issues were resolved. See McLean/Wierzbicki Decl. ¶¶ 31-33. In addition, Verizon has consistently met the same response time standards that the Commission found to be “reasonable and appropriate” in New York. New York Order ¶ 146. Specifically, from May through July 2000, Verizon has consistently met

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<sup>46</sup> Verizon implemented this upgrade pursuant to the Change Management Process originally developed in New York and now applied throughout the former Bell Atlantic region. This process incorporated input from CLECs and allowed them to test the release before it was implemented in production. See McLean/Wierzbicki Decl. ¶¶ 102-103. Because Verizon continues to support two versions of a pre-ordering interface as specified in the Change Management Process, CLECs can make the transition to the new versions on a schedule that is convenient for them.

the response time standard for pre-ordering transactions generally, as well as the separate standard for providing so-called “parsed” Customer Service Records. See McLean/Wierzbicki Decl. ¶ 35; New York Order ¶¶ 146-147 (relying on comparable performance).

Verizon also has in place a comprehensive capacity management process to ensure that its interfaces will continue to handle increasing volumes. On a daily basis, Verizon collects and analyzes key usage data, extrapolates anticipated demand, and takes specific steps to ensure that its systems are capable of meeting that demand. See McLean/Wierzbicki Decl. ¶ 38. As a result of following these procedures, in the first seven months of this year, Verizon was able to process without any visible strain as many pre-ordering transactions as it processed in all of 1999. See id. ¶ 34. Moreover, KPMG has confirmed that these procedures are sufficient to ensure that Verizon’s pre-ordering systems will continue to handle increasing traffic volumes with acceptable performance. See id. ¶ 38; KPMG Report at 235-38; see also New York Order ¶ 150 (relying in part on similar KPMG finding).

Finally, the Commission previously found that Verizon’s application-to-application pre-ordering interfaces and the corresponding ordering interfaces described below “are readily integratable” — that is, they “allow competing carriers to integrate pre-ordering information into [Verizon’s] ordering interface and the carriers’ back office systems.” New York Order ¶¶ 137-138. With the implementation of LSOG 4, integration has become even easier. See id. ¶ 139 & n.417. Indeed, several CLECs have successfully integrated Verizon’s pre-ordering functions into their back office systems. See McLean/Wierzbicki Decl. ¶ 27.

## **2. Ordering.**

As it does in New York, Verizon provides CLECs with a choice of two ordering interfaces for resale and unbundled elements in Massachusetts. The first is the same Web-GUI that is available for pre-ordering. See id. ¶ 40. The second is an application-to-application EDI

interface. See id. As with pre-ordering, there are two versions of this latter interface: one is the same version (EDI-8 with LSOG 2) that was available when the New York application was approved; the other (EDI-10 with LSOG 4) is an updated version that is based on the newest national standards. See id. ¶ 41. According to the Commission, these interfaces “provide competing carriers with electronic access for a full range of ordering functionality.” New York Order ¶ 159. At present, there are 15 CLECs using EDI interfaces (including three using the new version), and more than 75 CLECs using the Web-GUI (including 25 using LSOG 4). See McLean/Wierzbicki Decl. ¶¶ 40, 42.

Verizon’s ordering interfaces are already handling large commercial volumes in Massachusetts. For example, in the first seven months of this year, these interfaces processed nearly 300,000 order transactions in Massachusetts, id. ¶ 45, an average of more than 1,300 per day. During this period, Verizon’s interfaces successfully processed orders for more than 47,000 resale lines, more than 27,000 stand-alone loops, and almost 10,000 platform lines. See Br. Att. A Exh. 2.<sup>47</sup>

Verizon performs the various ordering functions on a timely basis. For example, from May through July 2000, Verizon’s on-time performance for returning confirmation notices (LSRCs), reject notices, and completion notices for both UNE and resale orders exceeded the 95 percent standard adopted by the Massachusetts DTE. See McLean/Wierzbicki Decl. ¶¶ 57, 77. Significantly, these are the same “strict benchmark standards” that Verizon adheres to in New York. New York Order ¶¶ 164, 180. Verizon’s strong real-world performance also is

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<sup>47</sup> Through July of this year, CLECs operating in the former Bell Atlantic States had submitted over 432,000 local service requests using LSOG 4 (about half made through the EDI interface and half through the Web-GUI). See McLean/Wierzbicki Decl. ¶ 42. In the month of July, 36 percent of all local service requests submitted by CLECs in these States used LSOG 4. See id.

backed by KPMG, which tested Verizon's ability to process normal, peak, and stress order volumes and found that it satisfies all of the test criteria. See McLean/Wierzbicki Decl. ¶ 45; KPMG Report at 47-60.

In addition to processing orders on time, Verizon processes them accurately. See McLean/Wierzbicki Decl. ¶ 60. For example, Verizon measures service order accuracy by reviewing key fields on manually processed orders to determine whether the information on the orders was accurately input into Verizon's service order processors. See id. From May through July 2000, Verizon has exceeded the 95-percent standard for correctly inputting the information in these fields. See id. As the Commission previously recognized, moreover, this and other service order accuracy measures actually understate Verizon's performance because they attribute to Verizon as errors all differences between the original order submitted by a CLEC and the information that is entered into the service order processor — including instances where Verizon *corrects* a CLEC's error. See New York Order ¶¶ 173-174. As in New York, therefore, once this fact is taken into account, Verizon's "actual level of service order accuracy is significantly higher than reflected in its performance data" for these measurements. Id. ¶ 174 & n.548; see also McLean/Wierzbicki Decl. ¶¶ 61-62. This fact is confirmed by Verizon's installation quality measurements, which measure whether services ordered by end users were correctly installed. See New York Order ¶ 174. And the generally low percentages of installation troubles confirm that the orders were, in fact, installed correctly. See McLean/Wierzbicki Decl. ¶ 62.

Verizon's systems in Massachusetts also are capable of "flowing through" a large percentage of CLEC orders, as long as they are properly submitted. All of the order types that were designed to flow through in New York also flow through in Massachusetts. See id. ¶ 46.

Moreover, Verizon has implemented a flow-through capability for a number of additional order types since the time of the New York application. See id. As in New York, moreover, KPMG confirmed that properly formatted orders for service types that are designed to flow through will in fact do so. See id. ¶ 48. In fact, during KPMG’s volume test, Verizon showed a perfect 100-percent flow-through rate for resale, platform, and unbundled loop orders that are designed to flow through. See id.

In addition, the actual flow-through rate observed on commercial orders in Massachusetts is the same or higher for each of the three main order types (platform, resale, and unbundled loops) than the corresponding flow-through rate at the time the New York application was approved. See id. ¶ 46; New York Order ¶ 166.<sup>48</sup> Likewise, the rates at which CLEC orders are rejected are similar to or better than what the reject rates were in New York. See McLean/Wierzbicki Decl. ¶ 52.

Of course, as the Commission itself has recognized, aggregate flow-through measures are not necessarily “reflective of the actual flow-through capabilities of [Verizon’s] systems” for the simple reason that they “are dependent, in part, on the performance of competing carriers to achieve high rates.” See New York Order ¶ 166. As in New York, however, an examination of the flow-through and reject rates disaggregated by carrier shows that some carriers have performed significantly better than others. For example, one large reseller has averaged better than 80 percent flow through, while individual CLECs have achieved flow-through rates on platform orders of up to more than 90 percent. See McLean/Wierzbicki Decl. ¶ 50. And some

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<sup>48</sup> Because platform orders currently comprise a smaller percentage of unbundled element orders in Massachusetts than they did in New York when Verizon filed its application there, the overall UNE flow-through rate in Massachusetts is lower. See McLean/Wierzbicki Decl. ¶ 46. When viewed separately, however, both loop and platform orders flow through at a rate that is equal to or better than it was in New York when that application was approved. See id.

individual CLECs also have achieved reject rates that are significantly lower than others. See id. As in New York, this experience further confirms that the capabilities of Verizon's systems are significantly better than the aggregate reported results on their face would suggest.

Moreover, while Verizon is "not accountable for flow-through problems that are attributable to competing carriers' errors," it has nevertheless taken steps to assist CLECs in improving their flow-through rates. New York Order ¶ 167; see McLean/Wierzbicki Decl. ¶ 53. For example, since November 1999 Verizon has conducted monthly CLEC education workshops that focus on common CLEC errors in submitting orders. See McLean/Wierzbicki Decl. ¶ 53. Moreover, to help CLECs self-diagnose the causes of their flow-through rates, Verizon provides a complete inventory of flow-through errors, sorted by individual CLEC and mode of entry. Id. ¶ 54.

Finally, Verizon has modified its systems to eliminate a problem it experienced earlier this year as a result of a latent software defect that caused delays in the return of status notices to CLECs. That problem, which affected only a small number of CLEC orders in Massachusetts (less than one-half of 1 percent), has been fully resolved. See id. ¶¶ 63-67.<sup>49</sup> Verizon's performance since implementing the system fixes has been excellent.<sup>50</sup> Moreover, as noted

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<sup>49</sup> Verizon entered into a Consent Decree with the Commission to resolve this issue on March 9, 2000. See Bell Atlantic-New York Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Service In the State of New York, Order, 15 FCC Rcd 5413, ¶ 1 (2000); New York Telephone Company (d/b/a Bell Atlantic-New York), Consent Decree, 15 FCC Rcd 5415, ¶ 1 (2000) ("Consent Decree"). Under the terms of that decree, Verizon agreed to file regular performance reports with the Commission to demonstrate its improved performance. See McLean/Wierzbicki Decl. ¶ 66. The decree terminated on June 20, 2000, after Verizon demonstrated that it met the performance standards established in the decree. See id. ¶ 67.

<sup>50</sup> See Letter from David H. Solomon, Chief, Enforcement Bureau, FCC, to Edward D. Young, III, Senior Vice President — Regulatory, Bell Atlantic, re: Bell Atlantic-New York Consent Decree (FCC No. 99-02) (June 20, 2000) (acknowledging that Verizon "has satisfied the



above, for the period from May through July 2000, it has consistently *exceeded* the 95-percent on-time standard for the return of status notices adopted by the DTE. See id. ¶¶ 57, 77.

### 3. Provisioning.

Verizon provisions competing carriers' orders in Massachusetts using substantially the same systems and process that it uses in New York. See id. ¶ 79. There are no separate provisioning interfaces because provisioning is essentially internal to Verizon once an order is submitted. See id. ¶ 78. Rather, the systems and processes for most CLEC orders are the same as those used to provision Verizon's retail orders. See id. ¶ 80. As the Commission concluded in New York, these systems "are set up to provide parity of service for provisioning wholesale and retail orders," and Verizon "provides nondiscriminatory access to its provisioning processes." New York Order ¶¶ 193, 197. Moreover, as in New York, KPMG evaluated Verizon's retail and wholesale provisioning processes, and found that they were nondiscriminatory. See McLean/Wierzbicki Decl. ¶ 81; KPMG Report at 193-204; New York Order ¶ 198 ("Our conclusion is buttressed by KPMG's finding that overall, [Verizon's] provisioning processes for competing carriers are provided at parity with its retail operations.").

### 4. Maintenance and Repair.

Verizon provides access to its maintenance and repair OSS through two interfaces, the Web-GUI and an electronic bonding interface. The Web-GUI system is identical to the one used in New York, which the Commission concluded provides "a requesting carrier . . . access [to] all the same functions that are available to [Verizon's] retail representatives." New York Order ¶ 213; see McLean/Wierzbicki Decl. ¶ 8. The Electronic Bonding Interface ("EBI") is an application-to-application interface that was implemented after Verizon filed its application in

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requirements" in the Consent Decree, and concluding "that [Verizon's] obligations under the Consent Decree have terminated").

New York and that allows CLECs to connect directly to Verizon's maintenance and repair OSS. See McLean/Wierzbicki Decl. ¶ 88. There currently are three CLECs in Massachusetts that have implemented the EBI, and approximately 75 that are using the Web-GUI. See id. ¶ 82.

Competing carriers in Massachusetts use Verizon's maintenance and repair interfaces in commercially significant volumes. For example, during the first half of 2000, CLECs in Massachusetts used the maintenance and repair interfaces to perform an average of more than 4,300 maintenance transactions per month, and more than 4,900 in June alone. See id. ¶ 89. These systems are, therefore, capable of handling large commercial volumes, as KPMG has confirmed and as this Commission has recognized. See id. ¶ 9; KPMG Report at 247-58; New York Order ¶ 214.

Verizon's maintenance and repair OSS and interfaces process trouble reports from competing carriers in substantially the same time and manner as Verizon processes reports for its own retail customers. See McLean/Wierzbicki Decl. ¶ 90; New York Order ¶ 219. From May through July 2000, response times for five of the six relevant measures were consistently better than the applicable standard. See McLean/Wierzbicki Decl. ¶ 90. And, after a system change was implemented at the end of May, the response times for the sixth measure were better than the standard in both June and July. See id.

## **5. Billing.**

Verizon uses the same systems to generate billing information in Massachusetts that it uses for its own retail operations, and (with one exception) the same systems that it uses in New York.<sup>51</sup> See id. ¶ 8. In New York, the Commission found that these systems provide

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<sup>51</sup> The one internal billing system that is different in Massachusetts and New York is the system used for message and payment processing. See McLean/Wierzbicki Decl. ¶ 8. In Massachusetts, Verizon uses the Message Processing System ("MPS"), which performs the very

“nondiscriminatory access to [Verizon’s] billing functions” by “provid[ing] competing carriers with billing information through Daily Usage Files (DUFs) and carrier bills.” New York Order ¶ 226. The same is true here.

Verizon currently produces more than 1,500 bills per month on the Customer Record Information Systems (used for billing resale services and unbundled loops) and more than 300 bills per month on the Carrier Access Billing System (used for billing other unbundled elements) in New England. See McLean/Wierzbicki Decl. ¶ 96.<sup>52</sup> It also produces more than 48 million call records (i.e., Exchange Message Interface (“EMI”) records) per month on average in New England. See id. Moreover, Verizon delivers these bills and usage data on time. For example, from May through July 2000, Verizon has exceeded the 95-percent on-time standard for providing customer-usage data and the 98-percent on-time standard for providing wholesale bills to competing carriers. See id. ¶ 97; see also New York Order ¶ 227 (relying on comparable performance under this measurement). Finally, Verizon provides accurate bills. From May through July, when corrected to take into account one-time credits resulting from settlement agreements, the bill adjustment rate for CLECs was significantly less than for Verizon’s retail bills. See McLean/Wierzbicki Decl. ¶ 98.

#### **6. Technical Support and Change Management.**

As in New York, Verizon provides the “documentation and support necessary to give competing carriers nondiscriminatory access to its OSS” in Massachusetts. New York Order ¶ 101; see McLean/Wierzbicki Decl. ¶ 113. Moreover, Verizon uses the exact same Change

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same functions as the Message/Customer Record Information System (“MCRIS”) that is used in New York.

<sup>52</sup> Verizon’s billing systems process wholesale bills on a regional basis, and its performance measures therefore cover New England rather than solely Massachusetts. See McLean/Wierzbicki Decl. ¶ 96.

Management Process in Massachusetts that it uses in New York, see McLean/Wierzbicki Decl. ¶ 101, and which the Commission endorsed because it “provides an efficient competitor with a meaningful opportunity to compete,” New York Order ¶ 111.

First, Verizon provides the same extensive information, training, and assistance to CLECs doing business in Massachusetts as it provides to CLECs in New York. See McLean/Wierzbicki Decl. ¶ 113. This includes handbooks, technical documentation that Verizon frequently updates and supplements, numerous training sessions, and a well-staffed Help Desk that provides a single point of contact for a wide variety of problems that CLECs may encounter. See id. ¶¶ 113-128; see also New York Order ¶ 127 (finding that Verizon’s training and assistance “provides efficient competitors a meaningful opportunity to compete”).<sup>53</sup>

Second, Verizon has adopted the same Change Management Process in Massachusetts that it uses in New York. See McLean/Wierzbicki Decl. ¶ 101; see also New York Order ¶ 107. As in New York, moreover, Verizon “provides competing carriers with timely change management notification and documentation.” New York Order ¶ 114. In fact, from May through July 2000, Verizon met the Change Management on-time standards for 100 percent of the Verizon-initiated changes and all but one of the emergency maintenance changes (which was one day late). See McLean/Wierzbicki Decl. ¶ 107; see also New York Order ¶¶ 114-115 (relying on comparable performance). In addition, KPMG examined the Change Management Process in Massachusetts and found it satisfactory in all respects. See McLean/Wierzbicki Decl. ¶ 107; see also New York Order ¶ 115 (relying in part on similar KPMG finding).

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<sup>53</sup> To provide additional assistance to CLECs, Verizon has developed and makes freely available the Integrated Documentation Application (“IDA”), which provides CLECs a side-by-side comparison of the Local Service Ordering Guidelines for various electronic interfaces and Verizon’s Business Rules regarding those interfaces. The IDA greatly simplifies CLECs’ task of programming their systems to communicate with Verizon. See McLean/Wierzbicki Decl. ¶¶ 116-117.

Third, Verizon provides a testing environment in Massachusetts to allow CLECs to test the interaction of their systems and interfaces with Verizon's pre-ordering and ordering interfaces and OSS. See McLean/Wierzbicki Decl. ¶ 108; New York Order ¶ 119. KPMG conducted an extensive review of the CLEC test environment and test procedures — using it to test Verizon's implementation of its updated EDI ordering interface (based on LSOG 4) as well as the prior version of the interface — and found that Verizon satisfied all test criteria. See McLean/Wierzbicki Decl. ¶ 112 (citing KMPG Report at 526-39); New York Order ¶ 121 (relying in part on similar KPMG finding).

### **III. VERIZON IS FULLY IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 272.**

As in New York, Verizon will provide all services that are subject to the requirements of section 272 through one or more separate affiliates that comply fully with the requirements of that section and the Commission's rules (collectively, the "272 Affiliates").<sup>54</sup> The Commission found in the New York Order that Verizon "demonstrated that it will comply with the requirements of section 272." New York Order ¶ 403.

#### **A. Verizon's Separate Affiliates Comply Fully with the Structural and Transaction Requirements of Section 272(b).**

Verizon's 272 Affiliates will be operated as independent carriers and will conduct business with Verizon (and all of its other local BOC affiliates) on an arm's-length basis. Accordingly, the 272 Affiliates comply with the five requirements of section 272(b).

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<sup>54</sup> As required by the Act, the services that will be provided through separate 272 Affiliates include any manufacturing activities under section 272(a)(2)(A), and any interLATA services originating in Massachusetts that are covered by section 272(a)(2)(B). Under section 271(j), private line and 800 services receive unique treatment for these purposes: any such services that terminate in Massachusetts are deemed to originate there, while such services that originate in Massachusetts are deemed to terminate there. As a result, these types of services are subject to the requirements of sections 271 and 272 on the terminating (rather than the originating) end.

First, as in New York, the 272 Affiliates will operate independently as required by section 272(b)(1). See Browning Decl. ¶ 10a-10c; New York Order ¶ 406. Second, the 272 Affiliates will maintain separate books, records, and accounts. See Browning Decl. ¶ 11; New York Order ¶ 408.<sup>55</sup> Third, the 272 Affiliates will have separate officers, directors, and employees. See Browning Decl. ¶ 12a-12c; New York Order ¶ 409. Fourth, the 272 Affiliates will not obtain credit under any arrangement that would permit a creditor to have recourse to the assets of Verizon. See Browning Decl. ¶ 13a-13e; New York Order ¶ 410. Finally, Verizon will use the same practices as in New York to ensure that transactions between it and the 272 Affiliates will be conducted on an arm's-length basis, reduced to writing, and available for public inspection. See Browning Decl. ¶ 14a-14e; New York Order ¶¶ 411-414.

**B. Verizon Will Comply with the Nondiscrimination Safeguards of Section 272(c).**

The Commission's finding in New York that Verizon "will comply with section 272(c)(1)" applies equally to Massachusetts. See New York Order ¶¶ 417-418. Specifically, as in New York, Verizon will not discriminate between the Long Distance Affiliates and any other entity in the provision or procurement of goods, services, facilities, and information, or in the establishment of standards. See Browning Decl. ¶ 17a-17o.

Likewise, the Commission's finding that Verizon has "demonstrate[d] that its BOCs account for all transactions with its section 272 affiliates in accordance with the accounting

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<sup>55</sup> As explained below, Verizon also meets the requirements of section 272(c). See Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996, Report and Order, 11 FCC Rcd 17539, ¶ 170 (1996). As in New York, certain accounting and record-keeping services for each of Verizon's 272 Affiliates will be performed by other affiliated centralized services companies that are not separated under section 272. See Browning Decl. ¶ 14e. The Commission has made clear, however, that such shared-service arrangements are permitted. See Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended, First Report and Order and Further Notice of Proposed Rulemaking, 11 FCC Rcd 21905, ¶¶ 168, 178-186 (1996).

principles designated or approved by the Commission” also applies to Massachusetts. New York Order ¶ 415. As in New York, Verizon will account for any transactions with the Long Distance Affiliates as required by section 272(c)(2) and fully comply with the Commission’s cost allocation and affiliate transactions rules. See Browning Decl. ¶¶ 24-31.

**C. Verizon Will Comply with the Audit Requirements of Section 272(d).**

Verizon also “will comply with section 272(d), which requires an independent audit of a BOC’s compliance with section 272 after receiving interLATA authorization.” New York Order ¶ 416. As in New York, Verizon has the mechanisms in place for retaining independent auditors and making records available to verify compliance with the Commission’s rules in order to comply with section 272(d). See Browning Decl. ¶ 29. Indeed, Verizon has already begun the initial steps in the first-ever biennial Federal/State joint audit of section 272 compliance. See id.

**D. Verizon Will Fulfill All Requests in Accordance with Section 272(e).**

In addition, Verizon will not discriminate in favor of its 272 Affiliates with respect to requests for exchange and exchange access services. New York Order ¶ 418. First, Verizon will fulfill requests for telephone exchange and exchange access services from unaffiliated entities within the same time period in which Verizon fulfills such requests for its own retail operations. See 47 U.S.C. § 272(e)(1); Browning Decl. ¶ 18a-18g; see also New York Order ¶ 418 (finding Verizon in compliance with this requirement). Second, Verizon will not provide any facilities, services, or information concerning the provision of exchange access to its Long Distance Affiliates unless such facilities, services, or information are made available to other providers of interLATA service on the same terms and conditions. See 47 U.S.C. § 272(e)(2); Browning Decl. ¶ 19a-19b. Third, Verizon will charge its Long Distance Affiliates or impute to itself (if using access for the provision of permitted interLATA services of its own) an amount for telephone exchange and exchange access services that is no less than the amount charged to

unaffiliated interexchange carriers for such service. See 47 U.S.C. § 272(e)(3); Browning Decl. ¶ 20a-20b. Fourth, Verizon will provide interLATA or intraLATA facilities or services to the Long Distance Affiliates only if such services or facilities are made available to all carriers at the same rates and on the same terms and conditions. See 47 U.S.C. § 272(e)(4); Browning Decl. ¶ 21.

**E. Verizon and Its Affiliates Will Comply with the Joint Marketing Provisions of Section 272(g).**

As in New York, Verizon will comply with the requirements of section 272(g). New York Order ¶ 419. Specifically, Verizon's 272 Affiliates will not market or sell local exchange service provided by Verizon except to the extent that Verizon permits non-affiliated long distance carriers to do the same. See Browning Decl. ¶¶ 22-23. Moreover, Verizon will not market or sell interLATA service provided by its Long Distance Affiliates in an in-region State until Verizon has received authorization to provide such service in that State. See id.

While Verizon plans to jointly market its services with those of its Long Distance Affiliates as permitted by section 272(g)(3), the Commission has made clear that submission of a joint marketing script is not a requirement of an application under section 271. See New York Order ¶ 419. The D.C. Circuit recently affirmed that decision, expressly holding that the nondiscrimination requirements of section 272(c)(1) do not apply to joint marketing under section 272(g)(3). See AT&T Corp. v. FCC, 220 F.3d at 632. Verizon also plans to permit the sharing of Customer Proprietary Network Information ("CPNI") with its Long Distance Affiliates in accordance with 47 U.S.C. § 222 and the Commission's holdings that CPNI is not subject to section 272(c). See Browning Decl. ¶ 17m.<sup>56</sup>

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<sup>56</sup> See also Implementation of the Telecommunications Act of 1996: Telecommunications Carriers' Use of Proprietary Network Information and Other Customer Information, Second Report and Order and Further Notice of Proposed Rulemaking, 13 FCC Rcd



**F. Verizon's Compliance Program Will Ensure Satisfaction of Its Obligations Under Section 272.**

Finally, the Commission found that Verizon had “demonstrate[d] that each affiliate has implemented internal control mechanisms to prevent, as well as detect and correct, any noncompliance with section 272.” New York Order ¶ 405. Verizon will continue its compliance efforts, which are designed to ensure compliance with the requirements of section 272. See Browning Decl. ¶¶ 32-45. For example, Verizon has established an Affiliated Transactions Compliance Office (“ATCO”), which centralizes the corporation’s compliance efforts, reviews affiliate transactions, maintains Verizon’s Affiliate Transactions Policy, and conducts employee training on section 272 compliance. See id. ¶¶ 34-37.

**IV. APPROVING VERIZON’S APPLICATION IS IN THE PUBLIC INTEREST.**

The Commission has held that “compliance with the competitive checklist is, itself, a strong indicator that long distance entry is consistent with the public interest.” New York Order ¶ 422. As described above, there is no question that the checklist is satisfied in Massachusetts. In addition, the Commission has explained that it “may review the local and long distance markets to ensure that there are not unusual circumstances that would make entry contrary to the public interest.” Id. ¶ 423. No such unusual circumstances exist here; to the contrary, the evidence is overwhelming that Verizon’s entry into long distance in Massachusetts is in the public interest.

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8061 (1998) (“CPNI Order”); Implementation of the Telecommunications Act of 1996: Telecommunications Carriers’ Use of Customer Proprietary Network Information and Other Customer Information, Order on Reconsideration and Petitions for Forbearance, 14 FCC Rcd 14409 (1999) (“CPNI Reconsideration Order”). Although in U.S. WEST, Inc. v. FCC, 182 F.3d 1224 (10th Cir. 1999), cert. denied, 120 S. Ct. 2215 (2000), the Tenth Circuit vacated the CPNI Order on other grounds, the portion of the CPNI Order concluding that section 272(c)(1) does not apply to CPNI was never challenged before the Tenth Circuit and therefore remains the relevant law on the subject.

First, the local market in Massachusetts unquestionably is open and local competition is thriving. As Verizon's experience in New York unambiguously demonstrates, Verizon's entry into the long distance market in Massachusetts will further promote local competition.

Second, mechanisms are in place to ensure that the local market will remain open. The Massachusetts DTE has set TELRIC rates for unbundled network elements. It has adopted the same strict performance standards as the New York PSC. And it has approved a comprehensive performance assurance plan that mirrors the plan adopted in New York.

Finally, Verizon's entry will greatly enhance long distance competition. Verizon's provision of long distance service in New York provides empirical proof that Bell company entry into long distance leads to lower prices and increased demand for long distance service.

**A. Local Competition in Massachusetts Is Already Thriving, and Verizon's Entry Will Increase Local Competition Further Still.**

Local markets in Massachusetts are unquestionably open to competition.<sup>57</sup> There is extensive competition — from all types of competitors using all three entry paths provided under the Act — throughout Massachusetts. Moreover, as experience in New York and Texas unambiguously proves, Verizon's entry into the long distance market will prompt still further

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<sup>57</sup> Verizon disagrees as a legal matter that the Commission may conduct any analysis of local competition in its public-interest inquiry. Under the terms of the Act, the public-interest inquiry should focus on the market to be entered: the long distance market. The statute requires that "the requested authorization" be consistent with the public interest. 47 U.S.C. § 271(d)(3)(C). The "requested authorization" is to provide in-region, interLATA services. *See id.* § 271(b)(1). Therefore, the statute's public-interest focus is clearly on the long distance market, not the local market. This reading finds strong support in section 271(c)(2)(B), which sets forth an intricate competitive checklist, and section 271(d)(4), which states that "[t]he Commission may not . . . extend the terms used in the competitive checklist." It is simply implausible that Congress would have spent countless hours honing the checklist, would further have enjoined the Commission from improving or expanding upon it, but somehow would also have authorized the Commission to add local competition-enhancing requirements in the context of its public-interest review.

local competition by forcing the long distance incumbents to finally get off the dime and enter Verizon's local markets.

*First, competitors have entered the local market in Massachusetts using all three entry paths provided under the Act, and facilities-based competition is particularly well-established.*

See Taylor Decl. ¶ 25. As graphically illustrated by the maps and exhibits attached to this Application, competitors are entering the local market in all areas of the State and are using all three entry paths provided under the Act to do so. This, of course, is precisely the set of circumstances envisioned by the Department of Justice when it explained that, “[i]f actual, broad-based entry through each of the entry paths contemplated by Congress is occurring in a state, this will provide invaluable evidence supporting a strong presumption that the BOC's markets have been opened.” DOJ Oklahoma Evaluation at 43.

The fact that facilities-based competition is well-established is equally significant. According to the Commission, “in the long term, the most substantial benefits to consumers will be achieved through facilities-based competition.”<sup>58</sup> Among other things, “[t]he construction of new local exchange networks” benefits consumers, the Commission has explained, because facilities-based carriers “can exercise greater control over their networks, thereby promoting the availability of new products that differentiate their services in terms of price and quality.” UNE Remand Order ¶ 110.

The Justice Department has also recognized that the presence of facilities-based competitors not only disciplines behavior in the *retail* business, but also creates an enormous incentive to provide superior *wholesale* service. To recoup its own investment, Verizon must

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<sup>58</sup> Promotion of Competitive Networks in Local Telecommunications Markets, Notice of Proposed Rulemaking and Notice of Inquiry in WT Docket No. 99-217 and Third Further Notice of Proposed Rulemaking in CC Docket No. 96-98, FCC 99-141, 1999 WL 459319, ¶ 4 (rel. July 7, 1999).

generate revenue from traffic flowing over its network. If Verizon provides poor wholesale service to CLECs, they will move traffic that otherwise would have traveled over Verizon's network — either through resale or unbundled network elements — onto competing facilities. See Schwartz Aff. ¶ 77. This is precisely what the Justice Department's economic expert meant when he explained that "facilities-based entry options . . . can discipline an incumbent's behavior in more segments, not only on the retailing side but also in certain *network* functions." Id. ¶ 177 (emphasis added).

Moreover, as the Department of Justice has observed, competitors' willingness to sink enormous sums of precious investment dollars to construct facilities is itself an unmistakable expression of confidence that the local market is open and will remain so. The fact that competitors have "commit[ted] significant irreversible investments to the market (sunk costs) signals their perception that the requisite cooperation from incumbents has been secured or that any future difficulties are manageable." Id. ¶ 174. Even in the unlikely event that competitors making the initial investments withdraw from the market, once facilities are in the ground, they remain available for use by other competitors. See Taylor Decl. ¶ 27.

As noted above, competing carriers in Massachusetts have voted with their wallets on the openness of the local market by investing heavily in competing facilities. Competitors in Massachusetts already serve a very conservatively estimated 400,000 lines in Massachusetts over their own facilities, see id. ¶ 25, which is proportionately equal to the number of facilities-based lines that competitors served in New York at the time Verizon filed its application there.<sup>59</sup> Even

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<sup>59</sup> At the time Verizon filed its New York application, competitors were serving 652,000 lines over their own facilities, New York Order ¶ 14, and Verizon was serving approximately 14.1 million access lines, FCC, ARMIS Data Retrieval System, Report 43-08, Table III (as of Dec. 31, 1999). In Massachusetts, competitors are serving approximately [400,000] lines over their own facilities, and Verizon serves approximately 5.4 million access lines. See id.; Taylor Decl. ¶ 25.

based on incomplete information, competitors in Massachusetts have deployed at least 22 voice switches and more than 2,000 fiber-route miles in Verizon's service territory. See id. ¶ 27. And they have spent literally hundred of millions of dollars to do so. See id.

Moreover, competitors are now able to reach virtually all of Verizon's customers in the State using those facilities. As of July 2000, competitors have established nearly 1,600 collocation arrangements, and have access to *more than 94 percent* of Verizon's residential access lines and *more than 96 percent* of Verizon's business lines in the State through those collocation arrangements. See Lacouture/Ruesterholz Decl. ¶ 34; compare New York Order ¶ 75 (667 collocation arrangements in New York at time of application).

Moreover, cable operators in Massachusetts have invested large sums to upgrade their networks to compete directly against Verizon in the provision of broadband access and voice telephony. For example, AT&T Broadband (formerly MediaOne) spent \$1.3 billion in the last five years upgrading its New England cable facilities to provide telephone and Internet services. See Taylor Decl. Att. A ¶ 38. That company currently has access to some 2.1 million existing cable subscribers, provides cable modem service to 148 cities in Massachusetts, and serves at least 150,000 cable modem customers and 20,000 cable telephony customers. See id. ¶ 22 & Att. A ¶¶ 19, 38. Likewise, RCN has constructed "overbuild" cable networks in Massachusetts and currently offers cable modem service to complement its local telephone services in Boston, Arlington, Newton, Somerville, and Waltham. See id. Att. A ¶¶ 23-25, 39.

*Second, competition in Massachusetts comes in all shapes and sizes and is being provided throughout the State.* Massachusetts has attracted competition from both the biggest CLECs in the country (e.g., AT&T and WorldCom) and the many smaller ones (e.g., PaeTec Communications and Broadview Networks). See id. Att. A ¶¶ 16-35 & Exh. 4. Numerous cable

operators are providing local service, including the largest cable operator in the country (AT&T), the largest overbuild cable operator (RCN), and several smaller operators (Adelphia and Shrewsbury Cable). See id. There are also several fixed wireless providers offering service (e.g., NEXTLINK and WinStar), and a wide variety of “pure” resellers. See id. Att. A ¶¶ 45-49 & Exh. 8.

Competing carriers are serving both residential and business customers. As of June 2000, CLECs were serving more than 120,000 residential customers in Massachusetts, more than two-thirds of whom were served over their own facilities. See id. ¶¶ 25-26 & Att. A Exh. 2.

And, as the attached maps show, competitive entry in Massachusetts is taking place across the State. In fact, there is every form of competition in every part of the State. While competition is most intense in Boston and its surrounding metropolitan area, there also is intense competition throughout Eastern Massachusetts (e.g., Plymouth and New Bedford), in Central Massachusetts (e.g., Worcester), and in more rural Western Massachusetts (e.g., Springfield). See Br. Att. A Exh. 3. As of June 2000, competing carriers were serving customers using both some or all of their own facilities and through resale in each of the area codes in Massachusetts. See Taylor Decl. Att. A Table 1.

*Third, as actual experience in both New York and Texas now unequivocally proves, granting Verizon long distance relief will prompt still further local competition. A Bell company’s entry into the long distance market is the catalyst that forces long distance incumbents to finally enter local markets for mass-market customers. See id. ¶ 20. New York was the first State in which a Bell company received long distance relief, and it was the first State in which AT&T, WorldCom, and Sprint began extensively serving mass-market customers. See id. ¶ 21. Texas was the second State in which a Bell company received long distance relief,*

and it was the second State in which these three incumbents began extensively serving mass-market customers.

In both New York and Texas, the long distance incumbents responded to impending BOC entry by rolling out new, lower-priced bundles of local and long distance service that typically are marketed uniquely to customers in those States. See Breen Decl. ¶¶ 24-26. The long distance incumbents have made significant headway in marketing these bundles. In New York, for example, WorldCom has more than 400,000 mass-market customers, and AT&T — which began providing service about six months after WorldCom — has more than 500,000 mass-market customers. See Taylor Decl. ¶ 21.<sup>60</sup> And these numbers are in addition to the literally hundreds of thousands of additional business customers served by each over their own facilities. AT&T recently boasted: “We’ve won more local customers in New York than we’ve lost residential long-distance customers to [Verizon].”<sup>61</sup>

Verizon’s entry in New York has not only sparked increased competition from the long distance incumbents, but has sparked added local competition across-the-board. In the first six months since Verizon’s entry in New York, the number of local lines served by competitors there has increased at least 70 percent, including a 163 percent increase in UNE-Platform lines and a 30 percent increase in facilities-based lines. See id. There has also been a 142 percent increase in stand-alone loops, a 70 percent increase in collocation sites, and a 33 percent increase in interconnection trunks. See id.

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<sup>60</sup> In Texas, AT&T has already signed up 220,000 customers for local service, and plans to have 650,000 by the end of the year. See Reinhardt Krause, Verizon’s New York Fight Key To AT&T Challenge, Investors’ Bus. Daily, Aug. 15, 2000, at A6 (citing PaineWebber analyst Eric Struminger).

<sup>61</sup> See Reinhardt Krause, Verizon’s New York Fight Key To AT&T Challenge, Investors’ Bus. Daily, Aug. 15, 2000, at A6 (quoting AT&T spokesman, Gary Morgenstern).

**B. Local Markets in Massachusetts Will Remain Open After Verizon Obtains Section 271 Approval.**

Even apart from the marketplace realities demonstrating that the local market not only is open, but irreversibly so, there simply is no realistic risk that Verizon could close the local market or deter further entry. For one thing, Verizon's compliance has been, and will continue to be, closely scrutinized by both competitors and state and federal regulators. For another thing, Verizon is subject to comprehensive performance reporting and performance assurance plans that put \$147 million in bill credits at risk annually — an amount directly proportionate to the parallel plans in New York.

**1. The Regulatory Framework in Massachusetts Strongly Favors Competition.**

As in New York, the process of opening local markets began in Massachusetts even before the Act was enacted, and has continued since.

Most significantly here, the Massachusetts DTE has conducted extensive proceedings to evaluate Verizon's compliance with the competitive checklist.<sup>62</sup> In fact, nearly 16 months ago, in May 1999, the DTE opened a docket specifically devoted to evaluating Verizon's compliance with the checklist: Case No. 99-271. Since that time, it has intensively analyzed every aspect of Verizon's checklist compliance down to the minutest detail, all with constant input from competing carriers — both through formal filings and hearings and through informal “collaborative” sessions. The formal record in Case No. 99-271 has seen approximately 500 submissions totaling more than 30,000 pages from more than 32 parties. There have been about

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<sup>62</sup> Throughout the course of these proceedings, Verizon has continued to work with all interested parties (including the Massachusetts DTE, the Department of Justice, and competing carriers) in the context of the formal proceedings, the informal collaboratives, and individual discussions to attempt to resolve disputed issues. See Revised Procedures for Bell Operating Company Applications Under Section 271 of the Communications Act, Public Notice, 12 FCC Rcd 18590, 18593 (1997).



36 days of hearings, filling more than 6,000 pages of transcript. This process only recently wrapped up with the presentation of oral argument by all interested parties, and the Massachusetts DTE has indicated that, based on this exhaustive record, it is now prepared to deliver its evaluation in response to Verizon's Application.

Of course, the DTE's efforts have not been limited to its checklist proceeding. Like the New York PSC, the Massachusetts DTE has also conducted an "active review and modification of [Verizon's] proposed unbundled network element prices," and has demonstrated its "commitment to TELRIC-based rates." New York Order ¶ 238. The DTE consolidated issues raised in five separate arbitrations in a proceeding that became known as the "Consolidated Arbitrations." Mudge Decl. ¶¶ 5-6. The DTE divided the proceeding into four phases. Phase I investigated issues that were appropriate for abbreviated proceedings and primarily addressed resale of Verizon's telecommunications services. Phase II determined permanent resale discounts. Phase III addressed non-cost issues that were too complex to be included in a proceeding with an abbreviated format. And Phase IV investigated and adopted permanent rates for unbundled network elements. Id. ¶ 7. After receiving literally thousands of pages of testimony and briefing from all interested parties, the DTE ultimately adopted comprehensive orders establishing the rates and wholesale discounts that Verizon could charge. Id. ¶ 11.

The Massachusetts DTE's resolution of the pricing issue is entirely consistent with the Act and Commission precedent, and the Commission should accordingly "place great weight" on the DTE's conclusions in this regard. See New York Order ¶ 238. As an initial matter, the Massachusetts wholesale discounts of 24.9 percent (for a CLEC that uses Verizon's Operator Services) and 29.4 percent (for a CLEC that does not use Verizon's Operator Services) are aggressive applications of the Commission's rules and produce among the largest discounts in